Aspen Property Trust

ARSN: 104 807 767

Annual Report for the year ended

30 June 2020

Annual financial report contents

Trust particulars

The key service providers for the Aspen Property Trust ("the Trust") are detailed below:

Service	Provider
Responsible Entity ("RE")	Evolution Trustees Limited ("ET")
Investment Manager	Aspen Funds Management Limited ("AFML")
Custodian	Perpetual Corporate Trust Limited
Statutory Auditor	Deloitte Touche Tohmatsu ("Deloitte")

During the year ET and Perpetual Corporate Trust Limited acted as the RE and custodian of the Trust respectively. AFML provided investment management services throughout the year.

Directors

The following persons held office as Directors of ET during and since the year ended 30 June 2020:

David Grbin	Non-Executive Chairman
Alexander Calder	Non-Executive Director
Rupert Smoker	Executive Director
Ben Norman	Alternative Director

The following persons held office of AFML during or since the year ended 30 June 2020:

Clive Appleton	Non-Executive Chairman
Guy Farrands	Non-Executive Director
John Carter	Executive Director
David Dixon	Executive Director

Registered Offices

Evolution Trustees Limited
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Telephone: (61 2) 8866 5150
Email: info@evolutiontrustees.com.au
Web address: www.evolutiontrustees.com.au

Aspen Funds Management Limited
21 Oxford Street
Bondi Junction
Sydney NSW 2022, Australia
Telephone: (61 2) 9151 7500
Email: homemail@aspengroup.com.au
Web address: www.aspengroup.com.au

Auditor

Deloitte Touche Tohmatsu
Grosvenor Place
225 George Street
Sydney NSW 2000

Stock Exchange Listing

The Trust's units are listed on the Australian Securities Exchange ("ASX") through Aspen Group Limited ("AGL") under the ASX code APZ (stapled securities). Each stapled security comprises one unit in the Trust and one share in AGL. The Trust and AGL (and their controlled entities) form the consolidated entity ("Aspen Group" or "Group"). The Trust and its wholly owned subsidiaries, Midland Property Trust ("MPT") and Aspen Equity Investments Pty Ltd ("AEI") form the "Consolidated Trust".

Table of Contents for the Directors' Report

1. Directors

The directors of Evolution Trustees Limited ("ET") present their report together with the consolidated financial statements of Aspen Property Trust (the "Trust") and its subsidiaries (the "Group") for the financial year ended 30 June 2020 ("year").

The directors of ET at any time during or since the end of the financial year are:

Name and qualifications	**Experience, special responsibilities and other directorships**
David Grbin *BEc, CA* **Chairman**	In addition to acting as chairman of ET, David is currently Chief Financial Officer ("CFO") of the ASX listed investment company Washington H Soul Pattinson and Co. Ltd. David formerly acted as CFO and Group Executive, Corporate Clients at the ASX listed professional trustee business The Trust Company. While at The Trust Company David pioneered the development of a single regional corporate trustee offering across the capital markets of Australia, Singapore and New Zealand and the development of Managed Investment Trusts ("MITs") to facilitate significant foreign investment flows into Australian commercial property and infrastructure assets. *Directorships of listed entities within last 3 years* None
Alexander Calder *BA, LLB, MSc, FRICS, GAICD* **Non-Executive Director**	Alexander "Sandy" is a non-executive director of ET. Since qualifying as a lawyer in 1988, Sandy has worked for a number of leading funds management houses, both in Australia and abroad. Sandy's previous experience includes positions as Chief Operating Officer ("COO") of RF Capital, Managing Director of Calibre Capital Limited, a property funds management business he co-founded in 2004, Chief Executive Officer ("CEO") of Principal Real Estate Investors (Australia) Limited managing a $2.2 billion real estate portfolio, Head of Property Securities and Head of Listed Property of Colonial First State Investment Managers (Australia) Limited. Sandy has been a director of numerous real estate company boards. *Directorships of listed entities within last 3 years* None
Rupert Smoker *Grad Dip (Applied finance), LLB, B.Comm* **Executive Director**	Rupert is CEO and founder of ET. Prior to this, Rupert led the significant growth of the corporate trustee business (RE and MIT) within ASX listed professional trustee business The Trust Company before it was acquired by Perpetual Limited in 2013. Rupert then acted as Head of Responsible Entity Services at Perpetual Limited, where he oversaw the integration of two operating teams in a business with over 50 mandates and $14b in funds under supervision. Rupert commenced his career in a variety of roles with the Australian Securities and Investments Commission culminating in his last role as a Senior Manager, responsible for regulating responsible entities in NSW and Queensland. *Directorships of listed entities within last 3 years* None

1. **Directors** *(continued)*

Name and qualifications	Experience, special responsibilities and other directorships
Ben Norman *BBus (Acc), BBus (Bking & Finance), Grad Dip (CA), CA* **Alternate Director**	Ben is an alternate Director for Rupert Smoker and currently acts as COO of ET. Prior to joining ET, Ben was a director in Ernst & Young's Transaction Advisory Services division, where he spent over 9 years working on numerous due diligence, advisory and restructuring engagements with clients in all industry sectors. Other roles Ben previously held include as COO of a boutique funds manager, Group Accountant within the ASX listed Hastings Diversified Utilities Fund and a Senior Accountant focusing on taxation and advisory services with an accounting firm that later merged with PwC. *Directorships of listed entities within last 3 years* None

The directors of AFML at any time during or since the end of the financial year are:

Name and qualifications	Experience, special responsibilities and other directorships
Clive Appleton *Bec, MBA, AMP (Harvard), GradDip (Mktg), FAICD* **Non-Executive Chairman**	Clive has had a successful career in property and funds management with over 30 years' experience in several of Australia's leading retail property investment, management and development groups. Clive's early career was spent with the Jennings Group where, from 1986, he held senior executive roles, responsible for managing and developing the retail assets jointly owned by Jennings Properties Limited ("JPL") and Jennings Property and Investment Group. In 1990, following a restructure of JPL to become Centro Properties Limited, Clive became Managing Director. From 1997 to 2004, he was the Managing Director of the Gandel Group, one of Australia's leading retail property investment, management and development groups. In 2005, Clive joined APN Property Group Limited as Managing Director. From December 2011 to June 2015, Clive was a Non-Executive Director of Federation Centres. Clive is currently Deputy Chairman of the Gandel Group, a Non-Executive Director of APN Property Group Limited, Perth Airport Pty Ltd, Perth Airport Development Group Pty Ltd and the Non-Executive Chairman of Pancare Foundation. Clive was appointed a Non-Executive Director of Aspen Group Limited on 30 April 2012, the Chairman of the Remuneration Committee on 22 June 2015 and a member of the Nomination Committee on 22 January 2013. Mr Appleton was a member of the Remuneration Committee between 10 May 2012 and 22 June 2015. *Directorships of listed entities within last 3 years:* Non - Executive Director of APN Property Group Limited – current (ASX: APD) Non - Executive Director of Vicinity Limited – appointed September 2018 to current (ASX: VCX)

1. Directors *(continued)*

Name and qualifications	**Experience, special responsibilities and other directorships**
John Carter *MBA (Syd), BappSc (Property Resource Mgmt) (UniSA), AAPI, GAICD* **Executive Director**	John has over 30 years' experience in real estate and financial markets. On 14 March 2019, John was appointed joint CEO of Aspen Group Limited. In 2004 John established Mill Hill Capital to pursue private equity opportunities in real estate, agriculture and equities. Prior to this, John was Managing Director, co-head of Equities and on the Australian Executive Committee for UBS in Australasia from 2001 to 2004. From 1991 to 2001, John was head of property and head of real estate research at UBS. While at UBS, John led over $10 billion of M&A and $20 billion of capital raising transactions for Australia's leading companies including Colonial, Westfield, Stockland, GPT, Mirvac, AMP, Multiplex, Macquarie Airports and Bankers Trust. Prior to UBS, John was involved in commercial real estate at two international real estate consultancy groups. Appointed a Non-Executive Director of Aspen Group Limited on 23 February 2015. *Directorships of listed entities within last 3 years* None
Guy Farrands *Bec, Grad Dip Man, FAPI,* MAICD **Independent Non-Executive Director**	Guy has over 30 years' experience in direct and listed property markets both in Australia and internationally across commercial, retail, industrial, residential and retirement asset classes. He was managing director and CEO of GEO Property Group (now Villa World Limited) between 2007 and 2011. Previously Guy was CEO of Valad Property Group between 2005 and 2007, departing prior to Valad's acquisition of Crownstone / Scarborough. Prior to that Guy was head of corporate development and investor relations for Valad. Guy's other former roles included division Director of the real estate division of Macquarie Bank's Investment Banking Group where he managed IPOs, equity raisings and mergers and acquisitions, Associate Director and joint head of property for Heine Management Limited and Manager in the Investment Sales Department at Jones Lang LaSalle. Mr Farrands currently acts as a consultant for and is expected to become the Chief Executive Officer of ALE Property Group. Guy was appointed a Non-Executive Director on 26 November 2012 and Chairman of the Audit Committee of APZ (reconstituted as the Audit, Risk and Compliance Committee in February 2016) on 22 January 2013. *Directorships of listed entities within last 3 years* None

1. Directors *(continued)*

Name and qualifications	Experience, special responsibilities and other directorships
David Dixon *B Bus (Finance & Economics)* **Executive Director**	David has over 30 years' experience in real estate and financial markets in Australia. He is currently joint CEO of Aspen Group Limited being appointed on 14 March 2019. David is joint owner and Managing Director of Mill Hill Capital, a private equity real estate group. From 2010 to 2014 David was Head of Real Estate Investment Banking (REIB) for Morgan Stanley. For the period 2006 to 2010 Mr Dixon was Joint Head of REIB at Credit-Suisse. David was Head of REIB at Deutsche Bank from 1998 to 2006. During this period David held a dual role in the broader Equity Capital Markets division. Prior to Deutsche Bank, David helped build Bankers Trust's real estate franchise into one of Australia's largest, most active and diversified investors at that time. *Directorships of listed entities within last 3 years* None

2. Directors' meetings

The following table sets out the number of directors' meetings held during the financial year and the number of meetings attended by each director (while they were a director).

Evolution Trustees Limited	Board of Directors	
Directors	Held	Attended
D Grbin	16	16
A Calder	16	16
R Smoker	16	16
B Norman (1)	16	16

1. B Norman alternate director

Aspen Fund Management Limited	Board of Directors	
Directors	Held	Attended
C Appleton	7	7
G Farrands	7	6
J Carter	7	7
D Dixon	7	7

3. Operating and financial review

The Consolidated Trust recorded a profit attributable to unit holders of $5.467 million for the year ended 30 June 2020 (2019 restated: profit of $0.091 million).

Review of financial conditions

Property portfolio

During the year:

- The Trust renegotiated the lease arrangement with AGL. Under the new leasing arrangement, the base rental was determined having regard to the expected net income (before rent) of each park and will increase yearly by the percentage increase in the consumer price index.
- The historical fair value of investment property assets recognised in the Trust's financial statements was reassessed. Based on consideration of the historical and ongoing short term nature of the lease arrangements in place between the Trust and AGL pertaining to the property assets, AFML as investment manager and the directors of ET determined that the historical fair value of its property assets more appropriately approximated their vacant possession value, which excludes only the amount of plant & equipment owned by the AGL as operator pursuant to the lease arrangements in place. This change has resulted in the Trust restating its historical financial statements to reflect the reassessed historical investment property asset fair values.
- There was a net increase in the portfolio carrying value of $2.441 million of the Trust primarily due to the following increases:
    - Four Lanterns $0.021 million; Mandurah Gardens $1.447 million; Adelaide $0.852 million; Tween Waters $0.682 million; Barlings Beach $1.082 million; and Highway One $1.043 million

  Offset by carry value devaluations of;

    - Koala Shores $1.550 million
    - Darwin Freespirit $1.136 million

3. Operating and financial review *(continued)*

Capital management and financial position

The Consolidated Trust had a shared $71.00 million finance facility with AGL, comprised of a $65.00 million (30 June 2019: $45.00 million) revolver facility, a $5.00 million bank overdraft facility (June 2019: $5.00 million) and a $1.00 million bank guarantee facility (June 2019: $5.00 million). At 30 June 2020, the Consolidated Trust's portion of the drawn debt was $22.29 million (30 June 2019: $24.50 million) and the gearing ratio was 16.65% (30 June 2019: 16.13%).

During the year, the Consolidated Trust completed a reallocation of capital between the Trust and AGL by increasing the share capital of AGL through applying a distribution of capital of $0.31 per unit by the Trust to AGL's share capital. Total capital of $29.86 million was reallocated from the Trust to AGL, and AGL used these proceeds to repay some of its loan from the Trust. As a result, the value of Trust's equity and the Trust's loan to AGL both decreased by $29.86 million.

In June 2020, APZ completed its placement and Share Purchase Plan raising approximately $20.01 million (before costs). Part of the proceeds ($13.69 million) was apportioned to APT.

Significant events during the year

Summer bushfires

During the summer season (December 2019 to February 2020), there were major fire events around the Consolidated Trust's Southern New South Wales properties, Barlings Beach, Tomakin and Tween Waters, Merimbula. The fires caused some minor physical damage to the properties, but much more significant losses to life, housing, businesses, critical infrastructure and the general environment throughout the region. There were some material impacts to the park's tourism revenue and net operating income and AGL has made an insurance claim for loss of profit and physical damage. As at the date of this report, the insurance claim has yet to be approved and the insurance claim has not been included in the 30 June 2020 results of AGL.

COVID-19

In March 2020, the virus COVID-19 was declared a pandemic. To ensure the safety of its customers and staff, Aspen Group undertook COVID-19 safety measures that comply with the Federal and State governments' COVID-19 guidelines across all of its properties and businesses. States across Australia implemented various lockdown measures and as a result, Aspen's tourism revenues declined significantly. Aspen Group initiated various cost saving measures and applied for various government incentives (such as the Job Keeper scheme). In addition, due to the diversified range of accommodation that the Group provides, certain traditional short stay tourism dwellings were temporarily offered for longer term residential use. As a result of these initiatives, while revenue at some of the parks declined significantly, overall net income remains close to budget.

During the last quarter of the financial year, APT granted a rent waiver for the properties which suffered a reduction in revenue in accordance with the National Cabinet Mandatory Code of Conduct for commercial leases. The rent waiver granted was equivalent to 50% of the reduction of revenue compared to the same period in the prior year.

Following the two major events above, properties valuations were re-assessed at the year end. Four properties were independently revalued while the remaining properties were revalued internally and approved by the directors. A net increment of $2.44 million was recognised in the results for the year.

Significant changes in the state of affairs

Other than noted elsewhere in this report, there were no significant changes in the state of affairs of the Consolidated Trust that occurred during the financial year.

Safety and environment

Other than noted elsewhere in this report, there were no significant accidents or injuries involving employees of Aspen Group recorded during the year.

3. Operating and financial review *(continued)*

Environmental and climate change

Aspen's properties are subject to environmental and climate change risks including but not limited to bushfires, storm events (eg. cyclones), coastal erosion and flooding. As the climate continues to change in future these risks may increase. Aspen holds insurance for these types of events, but in recent years insurance cover has become more limited and increasingly expensive.

4. Principal activities

Principal activities of the Consolidated Trust during the year were to invest in the accommodation sector. Other than as disclosed within the Operating and Financial Review, there was no significant change in the nature of the activities of the Consolidated Trust during the year.

5. Distributions

Distributions paid to unitholders during the year were as follows:

	2020 $'000
Final distribution for the year ended 30 June 2019 of 2.7 cents per security paid on 30 August 2019	2,601
Half year distribution for the period ended 31 December 2019 of 2.75 cents per security paid on 28 February 2020	2,649
	5,250

On 22 June 2020, Aspen announced the payment of a final distribution of $3.781 million (3.25 cents per security) to be paid on 28 August 2020.

6. Events subsequent to reporting date

Subsequent to the end of the year, there continues to be evolving restrictions implemented by state and federal governments in response to the COVID-19 pandemic. On 24 of July 2020 the Australian government confirmed its response is to continue suppression of COVID-19 until a point in time a vaccine or effective treatments are available, with the goal of no local community transmission.

The impacts of COVID-19 have continued into 1Q FY21 and the Aspen Group's operating conditions are largely unchanged from Q4 FY20. Aspen's operating environment is expected to be mixed over the next 12 months with Australia and the world currently in recession and the likelihood that inbound migration and tourism remains restricted until COVID-19 is contained. The Group is being prudent and maintaining a relatively high level of longer stay patronage and exercising tight control of costs. The directors believe Aspen can continue to perform relatively well in this environment as domestic household and tourists seek lower cost accommodation in attractive locations. Nonetheless continued or further closures and restrictions introduced by state governments will impact local tourism and therefore Aspen's business. This may in turn negatively affect the Consolidated Trust's operating performance (as Landlord) and the valuation of its properties.

There has not arisen any other item, transaction or event of a material and unusual nature likely, in the opinion of the directors of ET, to affect significantly the operations of the Consolidated Trust, the results of those operations, or the state of affairs of the Consolidated Trust, in future financial years.

7. Likely developments

The Consolidated Trust will look to pursue growth opportunities that may arise in the accommodation sector, which meet the Consolidated Trust's strategic focus on affordable accommodation.

8. Interests in scheme

ET does not hold any units or options in the Trust.

Directors' interests

The relevant interest of each director in the stapled securities and rights or options over such instruments issued by Aspen Group Limited as notified by the directors to the Australian Stock Exchange ("ASX") in accordance with S205G (1) of the Corporations Act 2001, at the date of this report is as follows:

	Fully paid stapled securities
Evolution Trustee Limited - Directors	
D Grbin	-
A Calder	-
R Smoker	-
B Norman	-
Aspen Funds Management Limited - Directors	
C Appleton	265,613
G Farrands	170,475
J Carter	9,436,465 [1]
D Dixon	9,517,342 [1]

[1] John Carter and David Dixon were appointed joint CEOs of the Company on 14 March 2019. Both hold an indirect interest in APZ via their ownership and directorship of Mill Hill Capital Pty Ltd and investment in the Mill Hill Capital Strategic Real Estate Fund, and separate indirect interests through their associates.

9. Indemnification and insurance of officers and auditors

During the year, the RE paid a premium to insure officers of the RE. The officers of the RE covered by the insurance policy include all directors and officers past and present.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the RE, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving wilful breach of duty to gain advantage for themselves or someone else or to cause detriment to the RE.

No premiums were paid by the RE to indemnify the auditors.

10. Corporate governance statement

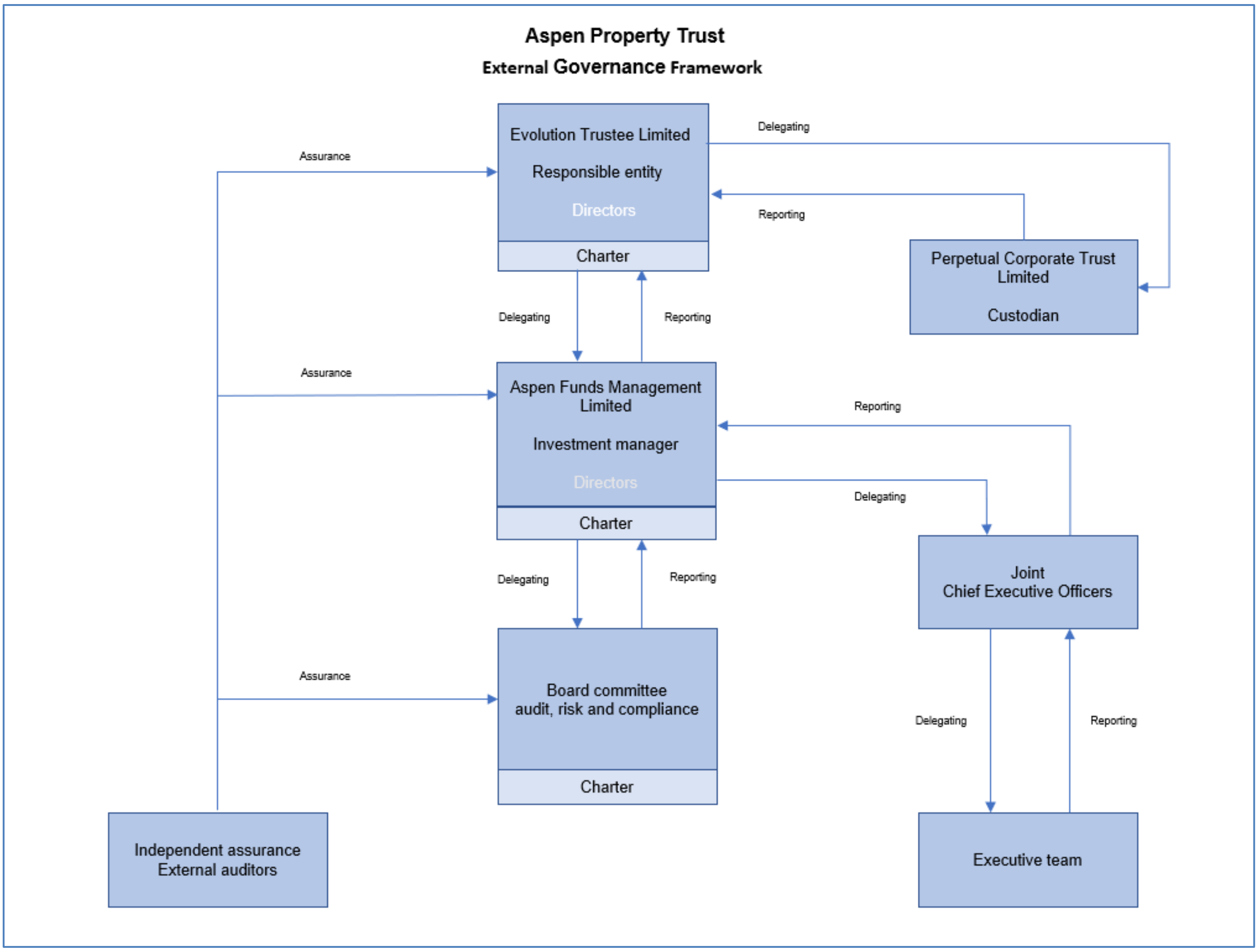
The Boards are responsible for establishment of a corporate governance framework that provides a level of accountability and processes and systems which support the day to day operations of APZ. APZ's governance framework has been prepared with regard to the ASX Corporate Governance Council's published guidelines as well as its stated principles and recommendations, contained in the ASX Corporate Governance Principles and Recommendations 3rd Edition (ASX Principles). APZ has established policies, charters and practices that support this commitment.

APZ's Corporate Governance Statement is available on the following website:

http://www.aspengroup.com.au/shareholder-information/corporate-governance/

At a glance, the Trust's governance framework is outlined below, showing the relationship between the Board, its Committees and the CEO position.

External Governance Framework



11. Auditor’s independence declaration under Section 307C of the *Corporations Act 2001*

The auditor’s independence declaration is included on page 15 and forms part of the Directors’ Report for the financial year ended 30 June 2020.

12. Rounding off

The Consolidated Trust is of the kind referred to in ASIC Corporations (Rounding in Financial Directors’ Reports) Instrument 2016/191 dated 24 March 2016 and in accordance with the ASIC Corporations instrument, amounts in the Financial Report and Directors’ Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the directors.

Rupert Smoker
Director
SYDNEY, 21 August 2020

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Australia

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21 August 2020

The Board of Directors of the
Responsibility Entity of Aspen Property Trust
21 Oxford Street
Bondi Junction NSW 2020

Dear Directors

Aspen Property Trust

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of the responsibility entity of Aspen Property Trust and the entity it controlled in the period.

As lead audit partner for the audit of the financial report of Aspen Property Trust for the year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Michael Kaplan
Partner
Chartered Accountants

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Independent Auditor's Report to the Unit Holders of Aspen Property Trust

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Aspen Property Trust (the "Trust"), and its controlled entity (together referred to as the "Group") which comprises the consolidated balance sheet as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to directors of the Responsible Entity of Aspen Property Trust (the "Responsible Entity") would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Fair value assessment of investment property assets The Group accounts for its investment property assets valued at $111.481 million (2019 re-stated $109.040 million), by adopting the fair value model measurement approach in accordance with AASB 13 *Fair Value Measurement* as disclosed in Note 3(e). The Group determines the fair value of its investment properties on the basis of external valuations conducted on a 3-year rotation basis and director valuations in interval years. The valuations are judgemental and determined by factors such as prevailing market conditions, the individual nature, condition and location of each asset, as well as net operating income (NOI) and capitalisation rate valuation inputs and other relevant factors such as the impact of COVID-19 in the current year. As set out in Note 3(r), during the year management reassessed the historical fair value of investment property assets in consideration of the historic and current short-term nature of the lease arrangements. This resulted in a restatement of prior year amounts recognised.	Our procedures included, but were not limited to: • Obtaining an understanding of and evaluating management's key processes and controls in so far as they apply to the fair value determination of property assets. • Assessing managements basis for determining the fair value of property assets in consideration of the short-term nature of the lease arrangements and the appropriateness of the resultant restatement of prior year balances. • Agreeing fair values of those property assets externally valued in the current year to external valuations and assessing the competency, objectivity and independence of the external valuers. • For all the property assets, comparing the NOI adopted in the valuations to the FY2020 actual performance, with specific consideration of the impact of COVID-19 and other market or asset specific factors impacting current year and forecast performance. • For a sample of valuations comparing the capitalisation rates adopted in current and previous year valuations and validating the rationale supporting the rate adopted by the external valuers and/or management. • Assessing the appropriateness of the Group's disclosures including key judgements and assumptions underlying the valuations in the Notes to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Responsible Entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Michael Kaplan
Partner
Chartered Accountants
Sydney, 21 August 2020

Consolidated Financial Statements Contents

Aspen Property Trust

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2020

		Consolidated	
	Note	30 June 2020 $ '000	Restated* 30 June 2019 $ '000
Rent from investment properties		4,934	5,429
Net change in fair value of investment properties	10	2,441	(3,618)
Operating expenses		(1,698)	(1,959)
Administration and general expenses		(125)	(325)
Profit from operating activities		**5,552**	(473)
Finance income	6	913	1,703
Finance expenses	6	(998)	(1,139)
Net finance (expense) / income		**(85)**	564
Profit for the period before income tax		**5,467**	91
Income tax expense		**-**	-
Profit for the period		**5,467**	91
Other comprehensive income for the period		**-**	-
Total comprehensive income for the period		**5,467**	91
Profit attributable to:			
Unit holders of the Consolidated Trust		5,467	91
Total comprehensive income for the period		**5,467**	91
Total comprehensive income attributable to:			
Unit holders of the Consolidated Trust		5,467	91
Total comprehensive income for the period		**5,467**	91
		cents per unit	cents per unit
Basic earnings per unit	14	5.605	0.094
Diluted earnings per unit	14	5.605	0.094

* Refer to Note 3 (r) for detailed information on restatement of comparatives.

The Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes to the financial statements.

Aspen Property Trust

Consolidated Balance Sheet

As at 30 June 2020

	Note	30 June 2020 $ '000	Restated* 30 June 2019 $ '000	Restated* 1 July 2018 $ '000
Assets				
Current Assets				
Cash at bank and on hand		96	48	861
Cash in term deposits		150	150	150
Trade and other receivables	7	97	89	143
Assets classified as held for sale	8	-	-	2,525
Total current assets		**343**	**287**	**3,679**
Non-current assets				
Receivables from related parties	9	20,757	41,416	39,424
Deferred finance costs		51	94	66
Investment properties	10	111,481	109,040	92,009
Total non-current assets		**132,289**	**150,550**	**131,499**
Total assets		**132,632**	**150,837**	**135,178**
Current liabilities				
Trade and other payables	11	3,876	2,742	2,147
Total current liabilities		3,876	2,742	2,147
Non-current liabilities				
Interest bearing loans and borrowings	12	22,292	24,500	4,700
Total non-current liabilities		22,292	24,500	4,700
Total liabilities		**26,168**	**27,242**	**6,847**
Net assets		**106,464**	**123,595**	**128,331**
Equity				
Equity attributable to unit holders				
Units on issue	13	351,000	367,168	367,179
Accumulated losses		(244,536)	(243,573)	(238,848)
Total equity		**106,464**	**123,595**	**128,331**

* Refer to Note 3 (r) for detailed information on restatement of comparatives.

The Consolidated Balance Sheet is to be read in conjunction with the accompanying notes to the financial statements.

Aspen Property Trust

Consolidated Statement of Changes in Equity

For the year ended 30 June 2020

	Note	Units on issue $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2019 – as previously reported		**367,168**	**(258,679)**	**108,489**
Retrospective adjustment (see Note 3 (r))		-	15,106	15,106
Balance at 1 July 2019 (restated)		**367,168**	**(243,573)**	**123,595**
Profit for the period		-	5,467	5,467
Other comprehensive income for the period		-	-	-
Total comprehensive income for the year		-	5,467	5,467
Transactions with unit holders of the Trust, recognised directly in equity				
Contributions by and distributions to unit holders of the Trust				
Issue of units	13	13,692	-	13,692
Reallocation of capital	13	(29,860)	-	(29,860)
Distributions to unit holders	13	-	(6,430)	(6,430)
Total contributions by and distributions to unit holders		(16,168)	(6,430)	(22,598)
Total transactions with unit holders of the Trust		(16,168)	(963)	(17,131)
Balance at 30 June 2020		**351,000**	**(244,536)**	**106,464**

	Note	Units on Issue $'000	Accumulated losses $'000	Total equity $'000
Balance as at 1 July 2018 – as previously reported		367,179	(260,618)	106,561
Retrospective adjustment (see Note 3 (r))		-	21,770	21,770
Balance as at 1 July 2018 (restated)		367,179	(238,848)	128,331
Profit for the period		-	91	91
Other comprehensive income for the period		-	-	-
Total comprehensive income for the year		-	91	91
Transactions with unit holders of the Trust, recognised directly in equity				
Contributions by and distributions to unit holders of the Trust				
Cancellation of units	13	(11)	-	(11)
Distributions to unit holders		-	(4,816)	(4,816)
Total contributions by and distributions to unit holders		(11)	(4,816)	(4,827)
Total transactions with unit holders of the Trust		(11)	(4,725)	(4,736)
Balance at 30 June 2019 (restated)		**367,168**	**(243,573)**	**123,595**

The Consolidated Statement of Changes in Equity is to be read in conjunction with the accompanying notes to the financial statements.

Consolidated Statement of Cash Flows

As at 30 June 2020

		Consolidated	
	Note	30 June 2020 $'000	30 June 2019 $'000
Cash flows from operating activities			
Cash receipts from customers (inclusive of GST)		3	51
Cash payments to suppliers and employees (inclusive of GST)		(150)	(311)
Net cash used in operating activities	15	**(147)**	**(260)**
Cash flows from investing activities			
Acquisition of investment properties, including acquisition costs		-	(20,678)
Proceeds from sale of assets held for sale, net of selling costs		-	2,525
Net cash generated / (used in) from investing activities		**-**	**(18,153)**
Cash flows used in financing activities			
Proceeds from borrowings		9,792	28,800
Repayment of borrowings		(12,000)	(9,000)
Proceeds from repayment of related entity loan		4,741	17,262
Loan to related entity		(9,792)	(14,076)
Interest received		-	10
Borrowing and financing costs		(985)	(1,164)
Issue of securities		13,692	-
Distributions paid		(5,253)	(4,232)
Net cash from financing activities		**195**	**17,600**
Net increase / (decrease) in cash and cash equivalents		48	(813)
Cash and cash equivalents at beginning of year		198	1,011
Cash and cash equivalents at end of year		**246**	**198**
Cash and cash equivalents comprise of:			
Cash at bank and in hand		96	48
Cash in term deposits[1]		150	150
		246	198

[1] Term deposits included as cash and cash equivalent as maturity period is 3 months or less.

The Consolidated Statement of Cash Flows is to be read in conjunction with the accompanying notes to the financial statements.

1. Reporting entity

The Consolidated Trust is an Australian resident trust. On 30 November 2018 Evolution Trustees Limited replaced Aspen Funds Management Limited as the Responsible Entity ("RE") of the Trust. The address of the Trust's registered office is Suite 703B, 7th Floor, 1 York Street, Sydney, New South Wales 2000. The Trust forms part of the Aspen Group Limited's ("Aspen") stapled security structure consisting of one share in the Company and one unit in the Trust. The consolidated financial statements of the Trust (the Consolidated Trust) as at and for the year ended 30 June 2020 comprise the Trust, and its subsidiaries. The Trust is a for-profit entity and is primarily involved in the investment in income-producing accommodation property.

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards ("AASBs") (including Australian Interpretations) adopted by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*. The consolidated financial statements also comply with the International Financial Reporting Standards ("IFRSs") and interpretations issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were authorised for issue by the Board of RE on 21 August 2020.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position which are stated at their fair value:

- Investment property; and
- Assets classified as held for sale.

The methods used to measure fair value are discussed further in note 2(d).

(c) Functional and presentation currency

The consolidated financial statements are presented in Australian dollars which is the functional and presentation currency of the Consolidated Trust.

The Consolidated Trust is of the kind referred to in ASIC Corporations Instrument 2016/191 dated 24 March 2016 and in accordance with the ASIC Corporations instrument, amounts in the Financial Report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

(d) Use of key judgements and estimates

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The accounting estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

2. Basis of preparation *(continued)*

(d) Use of key judgements and estimates (continued)

Measurement of fair values

A number of the Consolidated Trust accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Consolidated Trust has an established control framework with respect to the measurement of fair values. This includes oversight and reporting of all significant fair value measurements, including Level 3 fair values.

Finance staff regularly review significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or external valuations, is used to measure fair values, then the team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified. Significant valuation issues are reported to the Audit, Risk and Compliance Committee.

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

When measuring the fair value of an asset or a liability, the Consolidated Trust uses market observable data as much as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2*: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Consolidated Trust recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 8 – Assets classified as held for sale;
- Note 10 – Investment property;
- Note 16 – Financial instruments.

(e) Financial position

During the year ended 30 June 2020 the Consolidated Trust recorded a profit after tax of $5.467 million (2019 restated: profit $0.091 million). At 30 June 2020, the Consolidated Trust had net assets of $106.464 million (30 June 2019 restated: $123.595 million). The balance sheet presents a net working capital deficiency of $3.533 million (2019: $2.455 million). This position arises since liabilities are settled in the normal course through funds held by the stapled entity, AGL, and recorded through the intercompany loan account.

The financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

3. Significant accounting policies

This note provides a list of all significant accounting policies adopted in the presentation of these consolidated financial statements. The financial statements are for the group consisting of the Trust and its subsidiaries.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Trust. The Trust controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control is transferred to the Trust. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Trust.

(ii) Loss of control of subsidiaries

Upon the loss of control, the Trust derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Trust retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost.

(iii) Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Consolidated Trust’s interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Gains and losses are recognised when the contributed assets are consumed or sold by the equity accounted investees or, if not consumed or sold by the equity accounted investees, when the Consolidated Trust’s interest in such entities is disposed of.

(b) Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Consolidated Trust becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Consolidated Trust’s contractual rights to the cash flows from the financial assets expire or if the Consolidated Trust transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Consolidated Trust commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Consolidated Trust’s obligations specified in the contract expire or are discharged or cancelled.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Consolidated Trust has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Trade and other receivables are subsequently measured at their amortised cost less impairment losses (see note 7).

3. Significant accounting policies *(continued)*

(b) Non-derivative financial instruments *(continued)*

Cash and cash equivalents comprise cash balances and call deposits with original maturity of six months or less. Bank overdrafts that are repayable on demand and form an integral part of the Consolidated Trust's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Financial liabilities are recognised initially on the trade date at which the Consolidated Trust becomes a party to the contractual provisions of the instrument.

The Consolidated Trust has the following non-derivative financial liabilities: loans and borrowings, and trade and other payables.

Trade and other payables are subsequently measured at their amortised cost using the effective interest method, less any impairment losses.

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are measured at amortised cost with any difference between cost and redemption value being recognised in the Statement of Profit or Loss and Other Comprehensive Income over the period of the borrowings on an effective interest basis.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(c) Derivative financial instruments

The Group may enter into a variety of derivative financial instruments to manage its exposure to interest rates, including interest rate swaps.

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both a legally enforceable right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

3. Significant accounting policies *(continued)*

(d) Current assets held for sale

Current assets, or disposal groups comprising assets and liabilities are classified as held for sale if their carrying amount will be recovered primarily through sale rather than through continuing use and a sale is considered highly probable.

Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Consolidated Trust's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell.

Any impairment loss on a disposal group first is allocated to goodwill (if applicable), and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Consolidated Trust's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

(e) Investment property

Investment properties are properties which are held either to earn rental income or capital appreciation or both, but not for sale in the ordinary course of business, used in the production or supply of goods and services or for administrative purposes.

Investment properties are initially recognised at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for the intended use and capitalised borrowing costs.

Investment properties are subsequently measured at fair value at each balance date with any gains or losses arising from a change in fair value recognised in profit or loss. When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting as property, plant or equipment. Investment properties are not depreciated.

Distinction between investment properties and owner-occupied properties

In applying its accounting policies, the Consolidated Trust determines whether or not a property qualifies as an investment property. In making its judgement, the Consolidated Trust considers whether the property generates cash flows largely independently of the other assets held by an entity.

If an investment property becomes owner occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its cost for accounting purposes for subsequent recording.

(f) Impairment

(i) Financial assets

The Consolidated Trust recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Consolidated Trust's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

3. Significant accounting policies *(continued)*

(f) Impairment (continued)

(i) Financial assets (continued)

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. Trade receivables have maturities of less than 12 months, therefore the Consolidated Trust has adopted the 'simplified' model approach in calculating expected credit losses. Under this approach current trade receivables will recognise 'lifetime expected credit losses' all impairment losses are recognised in profit or loss.

(ii) Non-financial assets

The carrying amounts of the Consolidated Trust's non-financial assets, other than investment property, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is then estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

(iii) Reversals of impairment

Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(g) Provisions

A provision is recognised if, as a result of a past event, the Consolidated Trust has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

(i) Distributions

A provision for distributions payable is recognised in the reporting period in which the distributions are declared, determined, or publicly recommended by the directors on or before the end of the financial year, but not distributed at balance date.

3. Significant accounting policies *(continued)*

(h) Revenue

Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Rental income not received at reporting date, is reflected in the statement of financial position as a receivable or if paid in advance, as contract liabilities. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease, on a straight-line basis, as a reduction of lease income.

(i) Finance income and expenses

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expense on borrowings, and impairment losses recognised on financial assets that are recognised in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset, including loan establishment costs, are recognised in profit or loss using the effective interest method.

(j) Management fees

Under the Trust's Constitution, RE is entitled to management fees. Subject to the *Corporations Act 2001*, RE is entitled to a maximum annual management fee made up of:

- In respect of that part of the value of the assets of the Trust that is less than $10 million, a fee of 0.5% of the value of the assets of the Trust; and
- In respect of that part of the value of the assets of the Trust that exceeds $10 million, a fee of 0.25% of the value of the assets of the Trust, calculated daily and payable quarterly in arrears from the date the Trust commences to the date of final distribution.

Subject to the *Corporations Act 2001*, RE is entitled to a maximum annual investment management fee of 0.5% of the value of the assets of the Trust, calculated monthly at the rate of one twelfth of 0.5% of the value of the assets of the Trust as at the last day of each month and payable in arrears within 5 business days after the last day of the relevant month, from the date the Trust commences to the date of final distribution.

(k) Segment reporting

Operating segments are reported in a manner that is consistent with the internal reporting provided to the Chief Operating Decision Maker ("CODM"). The CODM has been identified as the Board of Directors' of AFML as they are responsible for the strategic decision making of the Trust.

The Consolidated Trust operated in one segment namely investment properties within Australia. Refer to note 5.

(l) Income taxes

Under current Australian Income Tax Legislation, the Consolidated Trust is not liable for income tax, provided that the taxable income (including any assessable component of any capital gains from the sale of investment assets) is fully distributed to unit holders each year. Tax allowances for investment property depreciation are distributed to unit holders in the form of tax deferred components of distributions.

3. Significant accounting policies *(continued)*

(m) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office ("ATO") is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(n) Earnings per unit

The Consolidated Trust presents basic and diluted earnings per unit ("EPS") data for its units. Basic EPS is calculated by dividing the profit from ordinary activities attributable to unit holders of the Consolidated Trust by the weighted average number of ordinary units outstanding during the financial period. Diluted EPS is determined by adjusting the profit or loss attributable to unit holders and the weighted average number of ordinary units outstanding for the effects of all dilutive potential ordinary units, which comprise share options granted to employees.

(o) Discontinued operation

A discontinued operation is a component of the Consolidated Trust, the operations and cash flows of which can be clearly distinguished from the rest of the Consolidated Trust and which:

- represents a major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

(p) Parent entity financial information

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries and associates

Investments in subsidiaries and associates are accounted for at cost in the financial statements of the parent. Dividends received from associates are recognised in the parent entity's profit or loss when its right to receive the dividend is established.

3. Significant accounting policies *(continued)*

(q) Units on issue

Units on issue represent the amount of consideration received for units issued by the Trust and are classified as equity. Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

(r) AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors

During the year, AFML as Investment Manager and the directors of ET reassessed the historical fair value of investment property assets recognised in its financial statements. Based on consideration of the historical and ongoing short term nature of the lease arrangements in place between the Trust and AGL pertaining to the property assets, the directors determined that the historical fair value of its property assets more appropriately approximated their vacant possession value, which excludes only the amount of plant & equipment owned by the AGL as operator pursuant to the lease arrangements in place.

This change has resulted in the Trust restating its historical financial statements to reflect the reassessed historical investment property asset fair values, in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.

Restated FY2019 Statement of Financial Position

	Previously reported $'000	Restatement adjustment $'000	**30 June 2019 Restated $'000**
Current assets			
Cash at bank and on hand	48	-	48
Cash in term deposits	150	-	150
Trade and other receivables	89	-	89
Total current assets	287	-	287
Non-current assets			
Receivables from related parties	41,416	-	41,416
Deferred finance costs	94	-	94
Investment properties	93,934	15,106	109,040
Total non-current assets	**135,444**	**15,106**	**150,550**
Total assets	**135,731**	**15,106**	**150,837**
Current liabilities			
Trade and other payables	2,742	-	2,742
Total current liabilities	**2,742**	-	**2,742**
Non-current liabilities			
Interest bearing loans and borrowings	24,500	-	24,500
Total non-current liabilities	**24,500**	-	**24,500**
Total liabilities	**27,242**	-	**27,242**
Net assets	**108,489**	-	**123,595**
Equity			
Units on issue	367,168	-	367,168
Accumulated losses	(258,679)	15,106	(243,573)
Total equity	**108,489**	**15,106**	**123,595**

3. Significant accounting policies *(continued)*

(r) AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors *(continued)*

Restated FY2019 Statement of Profit or loss and Other Comprehensive Income

	Previously reported $'000	Reclassification adjustment $'000	Restatement adjustment $'000	**30 June 2019 Restated $'000**
Rent from investment properties	5,429	-	-	5,429
Property expenses	(1)	1	-	-
Gross profit	**5,428**	1	-	5,429
Change in fair value of investment properties	3,046	-	(6,664)	(3,618)
Operating expenses	(1,958)	(1)	-	(1,959)
Administration and general expenses	(325)	-	-	(325)
Profit from operating activities	**6,191**	**-**	**(6,664)**	**(473)**
Finance income	1,703	-	-	1,703
Finance expenses	(1,139)	-	-	(1,139)
Net finance income	**564**	-	-	**564**
Profit for the year	**6,755**	**-**	**(6,664)**	**91**
Total comprehensive income for the year	**6,755**	**-**	**(6,664)**	**91**

4. Changes in accounting policies

(a) New and amended standards adopted from 1st July 2019

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period with the exception of the adoption of AASB 16 *Leases* commencing 1 January 2019 which has been adopted. There was no impact from the adoption of this accounting standard.

(b) Recently changed accounting standards

The Consolidated Trust has adopted AASB 16 at 1 July 2019. The new standard supersedes AASB 117 Leases and specifies recognition, measurement, presentation and disclosure requirements of leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with lessor accounting substantially unchanged from AASB 117.
There has been no financial impact as a result of adopting AASB 16 and new disclosures have been included where required.

(c) New accounting standards and interpretations issued but not yet applied

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Consolidated Trust for the annual reporting period ended 30 June 2020. From an initial assessment made, there are no standards not yet applied which are considered to have a material impact for the Consolidated Trust. The Consolidated Trust will continue to assess the impact of new accounting standards and interpretations issued but not yet applied.

5. Operating segments

The Consolidated Trust operated in one segment, being investment properties within Australia for the years ended 30 June 2020 and 30 June 2019.

6. Net finance income

	2020 $'000	2019 $'000
Finance income		
Interest income - bank deposits	-	10
- loans to related parties	913	1,693
	913	1,703
Finance expenses		
Interest expense on financial liabilities measured at amortised cost	(998)	(1,139)
	(998)	(1,139)
Net finance expense / (income)	(85)	564

7. Trade and other receivables

	2020 $'000	2019 $'000
Current		
Trade receivables	2	2
Deferred finance costs	89	78
Other receivables	6	9
	97	89

The Consolidated Trust's exposure to credit risk is disclosed in note 16.

8. Assets classified as held for sale

	2020	2019
	$'000	$'000
At 1 July	**-**	2,525
Sold during the year	**-**	(2,525)
At 30 June	**-**	-

Measurement of fair values

Fair value hierarchy

The non-recurring fair value measurement for the assets classified as held for sale have been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

Valuation technique and significant unobservable inputs

The valuation technique used is by reference to a conditional sale contract entered into with a third party.

9. Receivables from related parties

	2020	2019
	$'000	$'000
Non-current		
Amounts receivable from AGL	20,757	41,416

Notes:

Under the stapling arrangements that govern APT and AGL, both entities have agreed and covenanted to the maximum extent permitted by law that they must on the terms and conditions proposed by each other lend money or provide financial accommodation to the other or any of its controlled entities. Based on these arrangements, the Consolidated Trust has a loan agreement with AGL maturing 1 July 2021. The investment manager considers the loan to be recoverable and that no material expected credit loss provision is required. There is no expectation that this loan will be called upon by the Consolidated Trust in the next twelve months.

During the period, the Consolidated Trust completed a reallocation of capital between the Trust and AGL by increasing the share capital of AGL through applying a distribution of capital of $0.31 per unit from the Trust to AGL's share capital. Total capital of $29.86 million was reallocated from the Trust to AGL, and AGL used these proceeds to repay some of its loan from the Trust. As a result, the value of the Trust's equity and the Trust's loan to AGL both decreased by $29.86 million.

10. Investment properties

	2020 $'000	Restated 2019 $'000
At 1 July	109,040	92,009
Acquisition and additions (1)	-	20,649
Net change in fair value	2,441	(3,618)
At 30 June	111,481	109,040

(1) Includes acquisition of Highway 1 Caravan Park acquired during the year ended 30 June 2019. There was no acquisition for the financial year ended 30 June 2020

The following table presents individual properties owned by the Consolidated Trust:

Property	Original acquisition date	Original acquisition costs $ '000	Latest independent valuation date	Latest independent valuation $ '000	Book value at 30 June 2020 $ '000	Book value at 30 June 2019 – restated $ '000	Book value at 1 July 2018 – restated $ '000
Retirement Properties							
Four Lanterns NSW	Jan 2015	6,986	May 2019	12,240	11,898	11,877	8,943
Mandurah WA	Jun 2015	7,525	Jun 2020	13,725	13,455	12,008	11,008
Sweetwater Grove NSW [1]	Aug 2015	2,455	May 2019	10,500	8,763	8,763	11,259
Tourism Properties							
Adelaide SA	Oct 2015	7,121	May 2020	11,900	11,031	10,179	10,272
Tween Waters	Dec 2016	6,800	Jun 2020	8,100	5,590	4,908	4,678
Barlings Beach	Jan 2017	13,250	May 2019	13,500	11,037	9,955	10,195
Koala Shores NSW	Sep 2017	4,341	May 2019	9,750	5,700	7,250	7,764
Darwin FreeSpirit NT	Dec 2017	13,875	May 2020	16,900	13,835	14,971	16,890
Highway 1 SA	Oct 2018	17,470	Oct 2018	23,000	19,172	18,129	-
Corporate							
Aspen Karratha Village WA	Jun 2005	28,881	Nov 2017	10,250	11,000	11,000	11,000
At 30 June 2020/2019					**111,481**	**109,040**	**92,009**

[1] Previously known as Tomago

Notes:

As at 30 June 2020, the above investment properties were pledged as security against the Consolidated Trust's and AGL's finance facilities. Refer to note 12 for further details.

The independent valuations represent a whole-of-business valuation that includes assets held by the stapled group comprising the Trust and AGL and is accordingly not directly comparable to the book values for the Trust on a standalone basis.

10. Investment properties *(continued)*

Fair value

Fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at measurement date, in the principal market for the asset or liability, or the most advantageous market in its absence. In determining the fair value of certain assets, recent market offers have been taken into consideration.

It is the Consolidated Trust's policy to have all properties independently valued at intervals of no longer than three years. It is the policy of the Consolidated Trust to review the fair value of each property every six months reporting period and revalue properties to fair value when their carrying value materially differs to their fair values. In determining fair values, the Consolidated Trust considers relevant information including the capitalisation of rental streams using market assessed capitalisation rates, expected net cash flows discounted to their present value using market determined risk-adjusted discount rates, and other available market data such as recent comparable transactions.

The fair value measurement of the property assets totalling $111.48 million (30 June 2019 adjusted: $109.04 million) have been categorised as a Level 3 fair value based on the unobservable inputs to the valuation technique used. The carrying amount table above shows the reconciliation from the opening balance to the closing balance for Level 3 fair values for investment properties.

AFML as Investment Manager and the board of ET has reviewed the carrying value of all properties as at 30 June 2020 and adopted directors' and independent valuations for all properties as at this date, taking into account historical, current and forecast trading performance, the most recent valuations, and market evidence. Specific consideration has been given to the impact of COVID-19 in respect of consideration of historical and forecast performance.

Independent valuations were commissioned for four properties during the financial year, with director valuations being undertaken for the remaining balance of properties.

As a result of the independent valuations received, as well as the use of directors' valuations as at 30 June 2020, there was a net upwards movement of $2.44 million in the portfolio carrying value during the year ended 30 June 2020.

The external valuers have indicated on their reports that the events of COVID-19 present an unprecedented set of circumstances on which to base a judgement regarding property values. As a result, they have indicated that their valuations are reported on the basis of 'material valuation uncertainty' as per Valuation Reports (VPS 3) and matters that may give rise to material valuation uncertainty (VPGA 10) of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to their valuations than would normally be the case. They have further indicated that COVID-19 conditions are changing on a daily basis and valuations would therefore need to be reviewed and updated with greater frequency than might normally apply. In summary, the valuers recognise that the global risk outlook, particularly with regard to COVID-19 is extremely fluid and that resultant volatility may adversely impact property valuations. The directors consider that the same cautions apply equally to the internal valuations undertaken at year end.

The impacts of COVID-19 have continued into 1Q FY21 and Aspen's operating conditions and settings are largely unchanged from 4Q FY20. Aspen's operating environment is expected to be mixed over the next 12 months with Australia and the world currently in recession and the likelihood that inbound migration and tourism remains restricted until COVID-19 is contained. Aspen Group is being prudent and maintaining a relatively high level of longer stay patronage and exercising tight control of costs. The directors believe Aspen Group can continue to perform relatively well in this environment as domestic households and tourists seek lower cost accommodation in attractive locations. Nonetheless, continued or further closures and restrictions introduced by state governments will impact local tourism and therefore Aspen Group's business. This may in turn negatively affect the Consolidated Trust's operating performance and the valuation of its properties.

10. Investment properties *(continued)*

Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of investment property as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Capitalisation method and discounted cashflow approach: The Group considers either of the techniques or when deemed appropriate, both of the techniques. Where both techniques are considered, the Group reconciles and weighs the estimates under each technique based on its assessment of the judgement that market participants would apply. In the current year the capitalisation method was the primary valuation technique adopted. The capitalisation method estimates the sustainable net income (where applicable) of the property, and then applies a capitalisation (or discount/risk) rate to this sustainable net income to derive the value of the asset. One off capital adjustments were made in the current year, where appropriate, to reflect the anticipated impact of COVID-19 to the underlying derived valuation. These adjustments were made primarily to the Group's tourist park assets which are most exposed to short-stay accommodation. The discounted cashflow approach considers the present value of net cash flows to be generated from the property, taking into account the receipt of contractual rentals, expected future market rentals, letting up periods, escalation (of sales and costs), occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location, tenant credit quality and lease terms.	For the financial year ended 30 June 2020, the properties were primarily valued using the capitalisation method. **Retirement** Valuation inputs include: • Net sustainable operating income ranges from $0.69 million to $0.97 million • Capitalisation rate ranged from 6.50% to 8.50% **Tourism** Valuation inputs include: • Net sustainable operating income ranges from $0.75 million to $2.31 million • Capitalisation rate ranged from 8.25% to 9.25% **Corporate** Valuation inputs include: • Average nightly rate of $173 inclusive of meals • Occupancy rate of 55% • Net operating income margin of 28% • Capitalisation rate of 15%	The estimated fair value would increase (decrease) if: - Net sustainable income increases (decreases) - Capitalisation rates and or discount rates decrease (increase) which could result from: ○ Interest rates decreasing (increasing) ○ Expected growth in sustainable net income increasing (decreasing) ○ The required risk premium decreasing (increasing)

Sensitivity analysis

The Consolidated Trust has conducted sensitivity analysis on the fair value of the property assets to changes in key assumptions used in the valuation as follows:

	Key assumptions			
	0.5% increase in cap rate	0.5% decrease in cap rate	5% decrease in NOI	5% increase in NOI
(Decrease) / Increase in total value ($'000)	(6,859)	8,087	(6,338)	6,686
Change in value (%)	(6%)	7%	(6%)	6%

11. Trade and other payables

	2020 $'000	2019 $'000
Current		
Trade payables	(28)	-
Accrued liabilities	24	39
Distributions payable	3,880	2,703
	3,876	2,742

12. Interest-bearing loans and borrowings

	2020 $'000	2019 $'000
Non-current liabilities		
Secured debt facility	22,292	24,500
Total non-current	22,292	24,500
Total interest-bearing loans and borrowings	22,292	24,500

The Consolidated Trust's exposure to interest rate risk and liquidity is disclosed in note 16.

Terms and debt repayment schedule

The terms and conditions of outstanding loans were as follows:

	Currency	Maturity	Face value at 30 June 2020 $'000	Carrying amount at 30 June 2020 $'000	Face value at 30 June 2019 $'000	Carrying amount at 30 June 2019 $'000
Secured debt	AUD	November 2022	22,292	22,292	24,500	24,500

Financing arrangements

The Consolidated Trust together with AGL have in place financing arrangements with a total limit of $71.00 million comprising a revolver, a bank overdraft facility and a bank guarantee facility. These financing facilities are secured with first ranking registered real property mortgages over the Consolidated Trust's and AGL's directly owned properties, and a fixed and floating charge over AGL, Aspen Property Trust, Aspen Living Villages Pty Ltd, Aspen Property Developments Pty Ltd, Realise Residential WA Pty Ltd, Realise Residential WA 2 Pty Ltd, Realise Residential WA 3 Pty Ltd and Realise Residential WA 4 Pty Ltd.

Secured revolver

At 30 June 2020, the Consolidated Trust together with AGL had a secured revolver of $65.00 million (30 June 2019: $45.00 million), maturing in November 2022.

Secured bank overdraft facility

At 30 June 2020, the Consolidated Trust together with AGL had a secured bank overdraft facility of $5.00 million (30 June 2019: $5.00 million).

Secured bank guarantee facilities

At 30 June 2020, the Consolidated Trust together with AGL had secured bank guarantee facilities totalling $1.00 million (30 June 2019: $5.00 million).

12. Interest-bearing loans and borrowings *(continued)*

	2020 $'000	2019 $'000
Financing facilities		
Secured revolver	65,000	45,000
Secured overdraft facility	5,000	5,000
Secured bank guarantees	1,000	5,000
	71,000	55,000
Facilities utilised at reporting date		
Secured revolver – Consolidated Trust	22,292	24,500
Secured revolver – AGL	20,206	-
Secured bank guarantees – Consolidated Trust	243	298
	42,741	24,798
Facilities not utilised at reporting date		
Secured revolver	22,502	20,500
Secured overdraft facility	5,000	5,000
Secured bank guarantees	757	4,702
	28,259	30,202

13. Units on issue

	Securities 2020 Units'000	Securities 2019 Units'000
On issue as at 1 July	96,322	96,333
Stapled units cancelled during the period	-	(11)
Issued during the period	20,019	-
On issue as at 30 June – fully paid	116,341	96,322

During the year ended 30 June 2019, the Consolidated Trust cancelled 0.01 million units.

For the year ended 30 June 2020

Units on issue	**2020 Units'000**	**2020 $'000**
On issue 1 July 2019	96,322	367,168
Issued during the period	20,019	13,692
Reallocation of capital (see note 9)	-	(29,860)
On issue at 30 June 2020 – fully paid	116,341	351,000
Total securities listed on ASX	**116,341**	**351,000**

13. Units on issue *(continued)*

For the year ended 30 June 2019

Units on issue	**2019 Units'000**	**2019 $'000**
On issue at 1 July 2018	96,333	367,179
Stapled units issued during the period	(11)	(11)
On issue at 30 June 2019 – fully paid	96,322	367,168

Distributions

The following unfranked distributions were paid or provided for by the Consolidated Trust:

2020	**Cents per security**	**Total amount $'000**	**Date of payment**
July 2019 – December 2019	**2.75**	**2,649**	**28 February 2020**
January 2020 – June 2020	**3.25**	**3,781**	**28 August 2020**
	6.00	**6,430**	

2019	Cents per security	Total amount $'000	Date of payment
July 2018 – December 2018	2.30	2,215	28 February 2019
January 2019 – June 2019	2.70	2,601	30 August 2019
	5.00	4,816	

14. Earnings per unit

	2020 Cents per unit	2019 Cents per unit
Basic earnings per unit	**5.605**	0.094
Diluted earnings per unit	**5.605**	0.094

Profit attributable to ordinary stapled unit holders

	2020 $'000	2019 $'000
Profit attributable to ordinary stapled unit holders	5,467	91

Weighted average number of units	**2020 '000 units**	2019 '000 units
Basic units at 30 June	97,541	96,322
Diluted units at 30 June	97,541	97,158

Note : Excludes non-dilutive LTI instruments

15. Cashflow information

	2020 $'000	2019 $'000
Reconciliation of profit for the year to net cash inflow from operating activities		
Profit for the year	5,467	91
Adjustments for:		
Related party rent from investment properties	(4,934)	(5,429)
Management fees and cost recovery	1,698	1,941
Change in fair value of investment properties	(2,441)	3,618
Acquisition costs	-	29
Interest income from related parties	(913)	(1,703)
Profit / loss on disposal of AHS	-	(11)
Finance costs	998	1,139
Operating profit before changes in working capital and provisions	(125)	(325)
Changes in working capital		
Change in trade and other receivables	7	53
Change in payables and provisions	(29)	12
Net cash used in operating activities	(147)	(260)

16. Financial instruments

The Consolidated Trust has exposure to the following risks from using its financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Consolidated Trust's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout the financial report.

The Board has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Consolidated Trust, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Consolidated Trust's activities.

The Board oversees how management monitors compliance with the Consolidated Trust's risk management policies and procedures and reviews the adequacy of the risk management framework.

16. Financial instruments *(continued)*

Credit risk

Credit risk is the risk of financial loss to the Consolidated Trust if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Consolidated Trust's receivables from related party AGL who acts as tenant of the Trust's properties.

The Consolidated Trust's exposure to credit risk is influenced mainly by the financial capacity of AGL. Accordingly, there is a high concentration of credit risk.

Liquidity risk

Liquidity risk is the risk that the Consolidated Trust will not be able to meet its financial obligations as they fall due. The Consolidated Trust's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Consolidated Trust's reputation.

AFML as Investment Manager of the Consolidated Trust has liquidity risk management policies, which assist it in monitoring cash flow requirements and optimising its cash return on investments. Cash flow requirements for the Consolidated Trust are reviewed monthly or more regularly if required. The Consolidated Trust is proactive with its financiers in managing the expiry profile of its debt facilities.

Offsetting Financial assets and Financial Liabilities

The trust does not have any financial assets or financial liabilities that are subject to set off to a net position.

Market risk

Market risk is the risk that changes in market prices, such as interest rates will affect the Consolidated Trust's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Interest rate risk

The Consolidated Trust is exposed to interest rate risk arising from its long-term interest-bearing borrowings. Borrowings issued at variable rates expose the Consolidated Trust to cash flow interest rate risk. Borrowings issued at fixed rates expose the Consolidated Trust to fair value interest rate risk. Any decision to hedge interest rate risk will be assessed by the Board in light of the overall Consolidated Trust exposure, the prevailing market interest rate and any funding counterparty requirements.

The Consolidated Trust does not apply hedge accounting to derivative financial instruments.

16. Financial instruments *(continued)*

Capital management

The policy of the Boards of AFML and ET are to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future growth of the Consolidated Trust. The Boards monitor the level of dividends paid to unit holders.

The Consolidated Trust assesses the adequacy of its capital requirements, cost of capital and gearing as part of its broader strategic plan.

Management can alter the capital structure of the Consolidated Trust by, amongst other things, issuing new units, adjusting the amount of distributions paid to unit holders, returning equity to unit holders, selling assets to reduce debt/buying assets and increasing debt, adjusting the timing of development and capital expenditure and through the operation of a distribution and distribution reinvestment plan (DRP).

Gearing is a measure used to monitor levels of debt capital used by the Consolidated Trust to fund its operations. This ratio is calculated as interest bearing debt, net of cash and cash equivalents divided by total assets less cash. The gearing ratio at 30 June 2020 was 16.65% (30 June 2019 16.13%).

Net debt reconciliation

	2020 $'000	2019 $'000
Cash and cash equivalents[1]	246	198
Borrowings – repayable after one year	(22,292)	(24,500)
Net (debt) / cash	(22,046)	(24,302)

[1] Include term deposits as maturity period is 3 months or less.

	Cash and cash equivalents $'000	**Borrowings – due after one year $'000**	**Total $'000**
Net debt at 1 July 2018	**1,011**	**(4,700)**	**(3,689)**
Net cash flows	(813)	(19,800)	(20,613)
Net debt as at 30 June 2019 and 1 July 2019	**198**	**(24,500)**	**(24,302)**
Net cash flows	48	2,208	2,256
Net debt at 30 June 2020	**246**	**(22,292)**	**(22,046)**

The Consolidated Trust is not subject to externally imposed capital requirements.

Exposure to credit risk

The carrying amount of the Consolidated Trust's financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2020 $'000	2019 $'000
Cash at bank and in hand	96	48
Cash in term deposits	150	150
Trade and other receivables	97	89
Receivables from related parties	20,757	41,416
	21,100	41,703

16. Financial instruments *(continued)*

Exposure to credit risk *(continued)*

The Consolidated Trust's maximum exposure to credit risk for trade receivables and financial assets at the reporting date by type of customer was:

	2020 $'000	2019 $'000
Trade and other receivables	97	89
Loans due from related parties	20,757	41,416
	20,854	41,505

The ageing of the Consolidated Trust's trade receivables and financial assets at the reporting date was:

	Gross 2020 $'000	**Impairment 2020 $'000**	**Net 2020 $'000**	Gross 2019 $'000	Impairment 2019 $'000	Net 2019 $'000
Not past due	97	-	97	89	-	89

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

	2020 $'000	2019 $'000
Balance at 1 July	-	-
Amounts written-off	-	-
Balance at 30 June	-	-

Management has assessed the collectability of all debts and provided for specific provisions for any doubtful debts. Based on historical default rates, the Consolidated Trust believes that no material impairment allowance is necessary in respect of trade receivables not past due. There are no loan receivables past due.

At 30 June 2020 and 2019, the Consolidated Trust had the following loans receivable from related parties:

	2020				2019			
	Gross $'000	**Impairment $'000**	**Loan Forgiveness $'000**	**Total $'000**	Gross $'000	Impairment $'000	Loan Forgiveness $'000	Total $'000
AGL	20,757	-	-	20,757	41,416	-	-	41,416

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and net receipts under cash flow hedges:

2020	**Carrying amount $'000**	**Contractual cash flows $'000**	**6 months or less $'000**	**6-12 months $'000**	**1-2 years $'000**	**2-5 years $'000**
Trade and other payables	3,876	3,876	3,876	-	-	-
Interest bearing loans and borrowings	22,292	22,949	136	136	272	22,405
	26,168	**26,825**	**4,012**	**136**	**272**	**22,405**

16. Financial instruments *(continued)*

Liquidity risk *(continued)*

2019	Carrying amount $'000	Contractual cash flows $'000	6 months or less $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000
Trade and other payables	2,742	2,742	2,742	-	-	-
Interest bearing loans and borrowings	24,500	25,209	304	304	24,601	-
	27,242	**27,951**	**3,046**	**304**	**24,601**	**-**

The Consolidated Trust has $22.292 million debt (2019: $24.500 million). Refer to note 12 for further information regarding bank facilities.

Interest rate risk

At end of the financial year, the interest rate profile of the Consolidated Trust's interest bearing financial instruments was as follows:

	2020 Balance $'000	**2020** Weighted average interest rate %	2019 Balance $'000	2019 Weighted average interest rate %
Fixed rate instruments				
Term deposits	**150**	**0.95%**	150	2.31%
Variable rate instruments				
Cash and cash equivalents	**96**	**1.05%**	48	1.05%
Loans to related parties	**20,757**	**2.74%**	41,416	3.76%
Interest bearing loans and borrowings[1]	**(22,292)**	**1.94%**	(24,500)	3.20%
	(1,439)		16,964	
Total fixed and variable rate instruments	**(1,289)**		17,114	

[1] includes facility fees of 0.72% (2019: 0.72%)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and profit or loss for both the Consolidated Trust by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis was performed on the same basis as for 2019.

16. Financial instruments *(continued)*

Cash flow sensitivity analysis for variable rate instruments *(continued)*

Calculation for sensitivity analysis	Profit or loss / Equity	
	100bp increase	100bp decrease
2020	**$'000**	**$'000**
Variable rate instruments	(14)	14
Fixed rate instruments	1	(1)
Cash flow sensitivity (net)	(13)	13
2019		
Variable rate instruments	170	(170)
Fixed rate instruments	1	(1)
Cash flow sensitivity (net)	171	(171)

Fair Values

Estimation of fair value

The carrying amount of financial assets and financial liabilities recorded in the financial statements approximate their net fair values.

17. Related party transactions

Identity of related parties

The Consolidated Trust has a related party relationship with its stapled entity, AGL and their subsidiary entities.

The following persons held office as directors of Evolution Trustees Limited (Responsible Entity of the Trust) during the period 1 July 2019 to 30 June 2020:

David Grbin	Non-Executive Chairman
Alexander Calder	Non-Executive Director
Rupert Smoker	Executive Director
Ben Norman	Alternative Director

The following persons held office as directors of Aspen Funds Management Limited during the period 1 July 2019 to 30 June 2020:

Clive Appleton	Non-Executive Chairman
Guy Farrands	Non-Executive Director
John Carter	Executive Director
David Dixon	Executive Director

17. Related party transactions *(continued)*

Management / Responsible entity fees and cost recoveries

Under the Consolidated Trust's constitution, AFM, a wholly owned subsidiary of AGL, is entitled to management fees.

	2020 **$**	2019 $
Management fees and cost recoveries for the year	1,698,213	1,941,002

Evolution Trustees Limited as RE is also entitled to fees which are billed monthly.

	2020 **$**	2019 $
Responsible entity fee	86,272	56,237

Other related party transactions

AGL borrowed funds from the Trust at commercial interest rates and the maturity of the loan is 1 July 2021. The following loans receivable from AGL are outstanding at year end (refer to note 9 for further details):

	2020 **$**	2019 $
AGL	20,757,276	41,415,678

The Trust also has the following transactions with AGL and its subsidiaries:

	2020 **$**	2019 $
Rental income – from Aspen Living Villages Pty Ltd ('ALV') (wholly-owned subsidiary of AGL)	4,934,322	5,429,057
Interest income – from AGL	913,376	1,692,528

The Consolidated Trust leased all its investment properties to ALV on commercial terms. During the year, the Consolidated Trust provided rent waiver of $155,000 following the National Cabinet Mandatory Code of Conduct for commercial leases during the COVID-19 pandemic.

18. Auditor's remuneration

The auditor's remuneration in the current and prior year was paid by AFM's parent entity, AGL.

19. Consolidated entities

	Ownership interest % **2020**	Ownership interest % 2019
Parent entity		
Aspen Property Trust	-	-
Subsidiaries		
Aspen Equity Investments Pty Ltd	100	100
Midland Property Trust	100	100

All subsidiary entities were formed / incorporated in Australia.

20. Consolidated entity guarantees

External parties	2020 $'000	2019 $'000
Bank guarantees issued to third parties	**243**	298

21. Subsequent events

Subsequent to the end of the year, there continues to be evolving restrictions implemented by state and federal governments in response to the COVID-19 pandemic. On 24 July 2020 the Australian government confirmed its response is to continue suppression of COVID-19 until a point in time a vaccine or effective treatments are available, with the goal of no local community transmission.

The impacts of COVID-19 have continued into 1Q FY21 and the Aspen Group's operating environment and settings are largely unchanged from 4Q FY20. Aspen's operating environment is expected to be mixed over the next 12 months with Australia and the world currently in recession and the likelihood that inbound migration and tourism remains restricted until COVID-19 is contained. The Group is being prudent and maintaining a relatively high level of longer stay patronage and exercising tight control on costs. The directors believe Aspen can continue to perform relatively well in this environment as domestic households and tourists seek lower cost accommodation in attractive locations. Nonetheless, continued or further closures and restrictions introduced by state governments will impact local tourism and therefore Aspen's business. This may in turn negatively affect the Consolidated Trust's operating performance (as Landlord) and the valuation of its properties.

There has not arisen any other item, transaction or event of a material and unusual nature likely, in the opinion of the directors of RE, to affect significantly the operations of the Consolidated Trust, the results of those operations, or the state of affairs of the Consolidated Trust, in future financial years.

22. Parent entity disclosures

As at, and throughout the financial year ended 30 June 2020, the parent entity of the Consolidated Trust was the Trust.

	2020 $'000	2019 $'000
Result of the parent entity		
Profit for the year	5,467	91
Total comprehensive income for the year	5,467	91
Financial position of parent entity at year end		
Current assets	651	594
Non-current assets	132,289	150,550
Total assets	132,940	151,144
Current liabilities	3,876	2,742
Non-current liabilities	22,292	24,500
Total liabilities	26,168	27,242
Net assets	106,772	123,902
Total equity of the parent entity comprising of:		
Units on issue	351,000	367,168
Accumulated losses	(244,228)	(243,266)
Total equity	106,772	123,902

22. Parent entity disclosures *(continued)*

Parent entity loan to AGL

AGL has a loan payable to the Consolidated Trust of $20.757 million at 30 June 2020 (30 June 2019: $41.416 million). The loan's maturity is 1 July 2021 in accordance with the loan agreement.

Parent entity contingencies

The directors of RE are of the opinion that the Consolidated Trust has no contingent liabilities which require disclosure in the financial report for the year ended 30 June 2020 (2019: $Nil).

Guarantees to related parties

From time to time the Consolidated Trust expects to be required to provide performance guarantees to third parties in respect of certain obligations of its related entities.

The Trust has provided an unlimited guarantee and indemnity in favor of AGL's banking facilities as per note 12.

The Trust has provided guarantees to financiers and third parties for a number of the Consolidated Trust's related parties. Under the terms of the agreements, the Consolidated Trust will make payments to reimburse the financiers and third parties upon failure of the guaranteed entity to make payments when due.

The parent does not expect to incur any loss material allowance in respect of such guarantees.

Guarantees to related parties *(continued)*

Details of the guarantees are as follows:

External parties	2020 $'000	2019 $'000
Bank guarantees issued to third parties	243	298

Directors' declaration

1. In the opinion of the directors of the responsible entity of the Consolidated Trust, Evolution Trustees Limited:

   (a) the financial statements and notes set out on pages 21 to 51 are in accordance with the *Corporations Act 2001*, including:

      (i) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

      (ii) giving a true and fair view of the Consolidated Trust's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and

   (b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

2. The directors draw attention to note 2(a) to the financial statements, which includes statement of compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board

This declaration is made in accordance with a resolution of the directors.

Rupert Smoker
Director
SYDNEY, 21 August 2020